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STATE PASS AID. ONB. ACDA

E.O. 12356. DECL OADR
TAGS: MASS CS

SUBJECT: SECURITY ASSISTANCE: MANUAL INTEGRATED
ASSESSMENT OF SECURITY ASSISTANCE
(AIASA) - COSTA RICA

REF: STATE 014321 (DTG 161105Z JAN 83)

1. SECRET ENTIRE TEXT.

2. SUMMARY: UNITED STATES SECURITY ASSISTANCE
IN THE FORM OF ESF AND MILITARY SECURITY ASSISTANCE
(MAP) SHOULD CONTINUE FOR THE PERIOD OF THIS
AIASA. ESF SHOULD BE MAINTAINED AT THE LEVELS
RECOMMENDED HEREIN, AND MAP SHOULD BE REDUCED FROM
THE CURRENT (FY 85) LEVEL TO ONE THAT ALLOWS
FOR SUSTAINABILITY OF THE DEFENSE ARTICLES AND
SERVICES RECENTLY PURCHASED, AND THE CONTINUING
PROFESSIONALIZATION OF THE PUBLIC SECURITY FORCES,
THROUGH TRAINING, IN BOTH OPERATIVE AND MAINTENANCE
SKILLS. PRINCIPALLY DUE TO UNITED STATES
ECONOMIC ASSISTANCE TO DATE, COSTA RICA HAS MADE
SIGNIFICANT AND MEASURABLE PROGRESS AWAY FROM THE
FINANCIAL MALAISE ENCOUNTERED BY THE CURRENT
ADMINISTRATION OF PRESIDENT MONGE IN MAY OF 1982.
LIKE PROGRESS HAS BEEN MADE IN THE COUNTRY'S OVERALL
SECURITY. COSTA RICA LOOKS TO THE UNITED STATES
AS A FRIEND; HAS SUPPORTED OUR INITIATIVES TO
BRING PEACE AND ECONOMIC STABILITY TO THE REGION; AND
HAS BEEN EXTRAORDINARILY COOPERATIVE IN SUPPORT

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OF OUR DEFENSE INITIATIVES GIVEN ITS STRONG AND TRADITIONAL AVERSION TO THINGS MILITARY. WITHOUT OUR ECONOMIC, POLITICAL, AND MILITARY ASSISTANCE, THIS UNIQUE DEMOCRACY WOULD BE SORELY CHALLENGED, PERHAPS BEYOND ITS CAPABILITY, TO MAINTAIN TRADITIONS WE AND THEY CHERISH.

3. THE FOLLOWING IS KEYED TO PARAGRAPH 4 OF REPTEL:

4. U.S. POLITICAL, MILITARY, AND ECONOMIC INTEREST: IT IS OF SIGNIFICANT AND DIRECT POLITICAL INTEREST TO THE US TO PRESERVE THE DEMOCRATIC INSTITUTIONS OF COSTA RICA WHICH EXEMPLIFY THE KIND OF DEMOCRATIC DEVELOPMENT THE UNITED STATES PROMOTES IN THE REGION. THE OOCR STRONGLY EMPHASIZES ITS POLITICAL AND IDEOLOGICAL TIES TO THE UNITED STATES AND COMMITMENT TO THE VALUES OF WESTERN DEMOCRACY. WHILE MAINTAINING MILITARY NEUTRALITY, THE HONGE ADMINISTRATION VIGOROUSLY ADVOCATES THOSE VALUES IN THE IDEOLOGICAL STRUGGLE. THE PRESERVATION AND STRENGTHENING OF COSTA RICAN DEMOCRACY IS ESSENTIAL TO COUNTERING FORCES IN CENTRAL AMERICA WHICH WOULD IMPOSE A MARXIST-TOTALITARIAN MODEL FOR DEVELOPMENT.

IN PURSUIT OF THIS OBJECTIVE, UNITED STATES SECURITY ASSISTANCE IN THE FORM OF GRANT AID SHOULD BE MAINTAINED DURING THE YEARS DISCUSSED IN THIS ATASA (1987-91). MILITARY ASSISTANCE, GIVEN THE PRESENT CIRCUMSTANCES, SHOULD BE REDUCED FROM CURRENT LEVELS TO ONE THAT SUSTAINS EQUIPMENT PURCHASED IN 1984-85, AND MAINTAINS (THROUGH TRAINING) THE PROFESSIONAL DEVELOPMENT OF THE COSTA RICAN PUBLIC SECURITY FORCES (PUSSEFOR). (EAF JUSTIFICATION AND RECOMMENDED FUNDING LEVELS ARE DISCUSSED IN PARAGRAPHS 3.1.1 AND 3.1.1.1)

OUR SECURITY ASSISTANCE RELATIONSHIP WITH COSTA RICA SERVES U.S. INTERESTS IN ASSURING THAT THIS EXEMPLARY CENTRAL AMERICAN DEMOCRACY HAS A CAPACITY TO RESIST ANY EFFORT BY ITS EXPANSIONIST MARXIST-LENINIST NEIGHBOR TO UNDERMINE ITS SYSTEM. THE TYPE OF ASSISTANCE PROPOSED, ALTHOUGH LIMITED IN SCOPE, IS DESIGNED TO PROVIDE THE COSTA RICAN GOVERNMENT WITH A LIGHTLY-ARMED MOBILE CONSTABULARY CAPABLE OF FULFILLING ESSENTIAL NATIONAL DEFENSE AND INTERNAL SECURITY FUNCTIONS. ALTHOUGH THERE IS NO SIGNIFICANT SUPPORT FOR CHANGING COSTA RICA'S

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CONSTITUTIONAL PROHIBITION AGAINST A STANDING ARMY. THE COUNTRY'S LEADERS ARE FULLY COMMITTED TO DEVELOPING A MODERNIZED PUBLIC SECURITY FORCE WITH THE WHEREWITHAL TO PATROL NATIONAL LAND AND SEABORDERS AND PROVIDE AT LEAST THE FIRST LINE OF DEFENSE FOR THE NATIONAL SOVEREIGNTY.

IN THE EVENT OF OVERT AGGRESSION AGAINST COSTA RICA, THE OOCR WILL IMMEDIATELY INVOKE THE RIO TREATY WHICH COSTA RICANS REFER TO AS "THEIR ARMY." CONSONANT WITH THE COUNTRY'S CLOSE SECURITY RELATIONSHIP WITH THE UNITED STATES, COSTA RICA WOULD EXPECT U.S. FORCES TO BE IN THE FOREFRONT IN RESPONSE TO ANY SUCH AGGRESSION. HOWEVER, IN THE ABSENCE OF OVERT AGGRESSION, COSTA RICANS' VIEWS REGARDING

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MILITARY FORCES AND THE GOCR'S NEUTRALITY POLICY PRECLUDE BASING OF U.S. FORCES IN THE COUNTRY, AND THE USG MUST REMAIN ATTUNED TO COSTA RICAN ANTI-MILITARIST SENSIBILITIES. NONETHELESS, DRIVEN IN LARGE PART BY COSTA RICAN FEAR OF NICARAGUA'S UNPRECEDENTED MILITARY BUILD-UP, THE GOCR HAS WELCOMED U.S. SPECIAL FORCES MTI'S (AND OTHER MTI'S), SHIP VISITS, HIGH ALTITUDE HELICOPTER TRAINING, USCG DRUG ENFORCEMENT PATROLS, AND PROVIDED FUELING AND LAYOVER RIGHTS TO NUMEROUS TACTICAL/SERVICE AIRCRAFT AND NAVAL VESSELS. THESE ACTIONS REFLECT COSTA RICAN TRUST AND CONFIDENCE IN THE USG TO HELP REINFORCE THEIR SECURITY WITHOUT PUSHING THEM TO MILITARIZE.

COSTA RICA'S PRINCIPAL SECURITY THREAT EMANATES FROM THE TROUBLED CENTRAL AMERICAN ISTHMUS AND SPECIFICALLY NICARAGUA. THE INCREASINGLY BELLIGERENT ATTITUDE OF THAT COUNTRY TOWARD COSTA RICA IN THE PAST THREE YEARS HAS BROUGHT THEIR BILATERAL RELATIONS TO THE LOWEST POINT IN RECENT TIMES. COSTA RICA IS OVERWHELMED BY THE THREAT REPRESENTED BY THE NICARAGUAN ARMED FORCES, THEIR INTRANSIGENCE TOWARD REAL PROGRESS IN A PEACEFUL SOLUTION TO THE CENTRAL AMERICAN CRISIS, AND THEIR, THUS FAR, UNWILLINGNESS TO IMPLEMENT THE PROMISES OF THE 1979 REVOLUTION OF A PLURALISTIC NICARAGUAN STATE -- AN OBJECTIVE TO WHICH COSTA RICA CONTRIBUTED CONSIDERABLY IN THE REBELLION AGAINST SOMOZA. THEY ARE GREATLY CONCERNED OVER CUBAN, SOVIET, EAST GERMAN, AND PLO PRESENCE IN NICARAGUA; OVER THE EVER INCREASING NUMBERS OF NICARAGUAN, ET AL, REFUGEES SEEKING HAVEN IN COSTA RICA; OVER THE SCOPE AND INTENSITY OF THE NICARAGUAN-CUBAN PROPAGANDA CAMPAIGN TO DEFAME COSTA RICA WITH THEIR TRADITIONAL WESTERN DEMOCRATIC ALLIES; AND WITH THEIR EFFORTS TO DESTABILIZE THE REGION AND SPECIFICALLY COSTA RICA. A FURTHER COMPLICATION IS THE DE FACTO AND UNEASY ALLIANCE WITH THE NICARAGUAN ANTI-SANDINISTA FORCES ON THE SOUTHERN FRONT. NICARAGUAN POLITICAL OPPOSITION LEADERS OPERATE WITH THE PERMISSION OF THE GOCR IN COSTA RICA AND HAVE BEEN THE TARGET OF AT LEAST TWO ASSASSINATION ATTEMPTS. ARMED ANTI-SANDINISTA ELEMENTS OPERATE LARGELY JUST ACROSS THE BORDER IN NICARAGUA, BUT ALSO FREQUENTLY USE COSTA RICAN TERRITORY AS SANCTUARY AND AS A SOURCE OF LOGISTICAL AND MEDICAL SUPPORT. THEIR CROSS-BORDER ACTIVITIES HAVE BEEN THE CATALYST OF SEVERAL BORDER INCIDENTS, SOME SERIOUS. OTHER BORDER INCIDENTS HAVE OCCASIONED DIRECT EPS ATTACKS ON PUBSECFOR ELEMENTS THAT WERE NOT THE RESULT OF IMMEDIATE CONTRA ACTIVITY, BUT ARE BELIEVED TO HAVE BEEN IN GENERAL RETRIBUTION FOR PERCEIVED COSTA RICAN COMPLICITY WITH THE ANTI-SANDINISTA MOVEMENT. YET ANOTHER FORM OF NICARAGUAN INCURSION IS BELIEVED TO HAVE BEEN FLANKING MANEUVERS USING COSTA RICAN TERRITORY TO DRIVE CONTRA-ELEMENTS INTO EPS BLOCKING FORCES WITHIN NICARAGUA.

COUNTERING THE FOREGOING IS THE COSTA RICAN PUBSECFOR, ABOUT 8,000 STRONG (COMPRISED OF THE CIVIL

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(4,500) AND RURAL (3,500) GUARD), HAMPERED IN ITS CAPABILITY BY THE DEEP SEATED NATIONAL AVERSION TO

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THINGS MILITARY, THE DEBILITATING ECONOMIC SITUATION, AND ITS OWN LACK OF PROFESSIONAL STRUCTURE AND ORGANIZATION. THE GOCR IS CONCERNED ABOUT THE PROBLEM, HAS MADE SIGNIFICANT PROGRESS TOWARD IMPROVEMENT, AND HAS MADE EXCELLENT USE OF OUR MILITARY SECURITY ASSISTANCE PROGRAM TO DATE. THE FUNDAMENTAL IMPEDIMENT TO FORCE DEVELOPMENT HAS BEEN THE WHOLESALÉ TURNOVER OF THE PUBSECDEF THROUGH POLITICAL PATRONAGE PRACTICED BY SUCCESSIVE ADMINISTRATIONS. WE BELIEVE THAT PRACTICE IS UNDER SERIOUS REVIEW BY THE CURRENT ADMINISTRATION AND THE TWO PRESIDENTIAL CANDIDATES. WE ARE ENCOURAGED THAT SOME RELIEF IN THAT REGARD IS FORTHCOMING WHICH WILL MOST LIKELY TAKE THE FORM OF CIVIL SERVICE TYPE PROTECTION FOR THE WORKING LEVELS OF THE PUBSECDEF.

AS PREVIOUSLY MENTIONED COSTA RICA'S DEFENSE SHIELD IS THE RIO TREATY. HOWEVER, INVOKING THE TREATY IN RESPONSE TO SUBVERSION, INSURGENCY, OR INTERNATIONAL TERRORISM IS PROBLEMATIC. DEVELOPING A DOMESTIC CAPABILITY FOR RESPONDING TO SUCH THREATS IS ESSENTIAL TO THIS COUNTRY'S DEFENSE REQUIREMENTS. U.S. ASSISTANCE IS CRUCIAL TO OUR JOINT EFFORTS TO CONFRONT/CONTAIN THESE THREATS.

UNFORTUNATELY THE GOCR SIMPLY CANNOT AFFORD THE PRICE OF ENHANCING THE PUBSECDEF. REVIVING THE ECONOMY OF COSTA RICA IS THE MAJOR POLITICAL CHALLENGE TO THE MONGE ADMINISTRATION, AND AUSTERITY BUDGETS ARE THE PRINCIPAL IMPEDIMENT TO A GOCR-FINANCED PROGRAM TO ENHANCE THE PUBSECDEF. USG POLITICAL AND MILITARY INTERESTS ARE IN TURN DIRECTLY RELATED TO THE ECONOMIC STABILITY OF THE COUNTRY.

B. U.S. OBJECTIVES OF THE SECURITY ASSISTANCE PROGRAM:

THE PRINCIPAL OBJECTIVE IS THE DEFENSE AND PRESERVATION OF THE LONG ESTABLISHED DEMOCRATIC INSTITUTIONS OF COSTA RICA WHICH SERVE AS A MODEL AND IDEOLOGICAL COUNTER-BALANCE TO MARXIST PERVERTATION IN THE CENTRAL AMERICAN ISTHMUS. IN TERMS OF MILITARY SECURITY ASSISTANCE THIS IS ACCOMPLISHED BY THE ESTABLISHMENT AND MAINTENANCE OF A VIABLE DEFENSE FORCE WITHIN THE PRESENT STRUCTURE AND SIZE OF THE CIVIL AND RURAL GUARD THAT GIVES THE CAPABILITY TO

(1). ADEQUATELY SURVEIL THE LAND/SEA/AIR BORDERS

(2). MAINTAIN INTERNAL ORDER AND CONTROL AS IT PERTAINS TO OUTSIDE SUPPORTED TERRORISM AND/OR SUBVERSION.

(3). REACT/REINFORCE AS NECESSARY OTHER LINE ELEMENTS OF THE CIVIL AND RURAL GUARD.

(4). INITIALLY DEFEND TO THE EXTENT POSSIBLE AGAINST OVER OUTSIDE AGGRESSION UNTIL THE INTER-AMERICAN TREATY OF RECIPROCAL DEFENSE (RIO TREATY) COULD BE INVOKED.

C. STATEMENT OF THE THREAT:

(1). EXTERNAL: COSTA RICA'S ONLY EXTERNAL THREAT AT THE PRESENT TIME IS NICARAGUA AND THOSE COUNTRIES (CUBA, SOVIET UNION, EAST GERMANY, NORTH KOREA, LIBYA, ET ALI) AND INTERNATIONAL TERRORIST

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ORGANIZATIONS I.P.D. MONTENEGROS, BASQUE ETA, ITALIAN
RED BRIGADE, ET ALI WHICH PROVIDE THAT COUNTRY
SUSTENANCE AND ADVICE COSTA RICA BELIEVES THAT AN
OVERT DEMONSTRABLE ATTACK AT THIS POINT IS UN-

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LIKELY, PRINCIPALLY BECAUSE THE CONTRA SOUTHERN FRONT
IS WEAK, DISORGANIZED, AND ITS MILITARY ELEMENTS
ARE GENERALLY INSIDE NICARAGUA (ALBEIT DEPENDENT
UPON COSTA RICAN TERRORISM AND GOODWILL FOR RESUPPLY
AND SAFEBAYING). WERE THE CONTRAS TO BECOME A MORE
SIGNIFICANT THREAT TO THE GOV THAN THEY PRESENTLY ARE,
AND WERE THE SITUATION GENERALLY TO TURN IN THEIR
FAVOR, AN ATTACK UPON COSTA RICA BECOMES A GREATER
POSSIBILITY ALTHOUGH WE STILL RATE THE PROBABILITY LOW.
COSTA RICA DOES BELIEVE THAT NICARAGUA, WITH THE SUPPORT
OF THOSE STATES AND GROUPS MENTIONED ABOVE, ARE NOW
PRESENTLY, AND WILL CONTINUE TO BE, INVOLVED IN
SUBVERSIVE AND TERRORIST ACTIVITIES, EITHER DIRECTLY,
OR IN A SUPPORTING ROLE, WITH LOCAL DISAFFECTED
LEFTIST ELEMENTS WITHIN THE GOCR AND THE COUNTRY
MISSION AGREES WITH THAT ASSESSMENT.

(2). INTERNAL: INTERNAL INSTABILITY HAS
BEEN MOST NOTABLY DEMONSTRATED TO DATE IN TERMS OF
LEFTIST LABOR ACTIVITY, WITH THE RECENT STRIKE IN
THE SOUTHERN PACIFIC BANANA PRODUCING REGION BEING
THE MOST OBVIOUS AND COSTLY. ANOTHER POTENTIAL
EXPLOSIVE AREA IN THAT REGARD IS THE OTHER BANANA
PRODUCING REGION ALONG THE ATLANTIC COAST IN LIMON
PROVINCE; PARTICULARLY IF BANANA FARMS CONTINUE TO
GO OUT OF PRODUCTION. THERE CONTINUES TO BE SOLID
EVIDENCE OF ARMS TRAFFICKING FOR INTERNAL USE AND
A GROWING NARCOTICS PROBLEM BOTH IN TERMS OF LOCALLY
PRODUCED MARIJUANA AND (LABORATORY) PRODUCTION OF
COCAINE. IN REGARDS TO THE LATTER, IT IS BELIEVED
THAT GROWING PRESSURE IN COCAINE PRODUCING COUNTRIES
TO THE SOUTH OF COSTA RICA IS BEGINNING TO CREATE A
GROWING USE OF THIS COUNTRY AS A TRANSHIPMENT POINT
FOR BOTH AIRCRAFT AND SMALL OCEAN GOING VESSELS. A
MORE RECENT, AND SIGNIFICANT, EVENT WAS THE ROBBERY
OF A BANK IN GUANACASTE BELIEVED TO HAVE BEEN
CARRIED OUT BY LEFTIST ELEMENTS FOR POLITICAL PURPOSES
VICE A TRADITIONAL CRIMINAL ACT FOR PERSONAL GAIN.
FINALLY, THERE IS EVIDENCE SUGGESTING THAT FRUSTRATED
YOUNGER MEMBERS OF THE COSTA RICAN RADICAL LEFT ARE
BECOMING DISEMPOWERED WITH TRADITIONAL LEFTIST POLITICAL
GROUPS' OVERT LEGAL EFFORTS, AND ARE SHOWING INCREAS-
ING INTEREST IN MORE VIOLENT MEANS TO MEET THEIR
OBJECTIVES. MISSION AGREES WITH THAT ASSESSMENT.

(3). STRATEGY FOR RESPONDING TO THREAT. IN
LARGE PART, THROUGH THE U.S. MILITARY SECURITY ASSIS-
TANCE PROGRAM, THE GOCR IS IMPROVING THE PUBSECFOR
CAPABILITY ACROSS THE BOARD IN LAND, SEA, AND
ELEMENTS, INTELLIGENCE CAPABILITY, AND COUNTER-
TERRORIST CAPABILITY. CONSIDERABLE PROGRESS HAS
BEEN MADE OR IS UNDERWAY IN THE LAST TWO YEARS
(ECONOMIC AND POLITICAL ASSISTANCE IS ADDRESSED
IN FOLLOWING PARAGRAPHS).

(4). LAND FORCES: THE CIVIL AND RURAL
GUARD HAVE RECEIVED EXTENSIVE LAND OPERATIONS
RELATED TRAINING IN SURVEILLANCE, LEADERSHIP DEVELOP-

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MENT, WEAPONS USE, COMMUNICATIONS, AND MAINTENANCE. THE CIVIL GUARDS' 1940'S VINTAGE ARMS AND AMMUNITION ARE BEING REPLACED WITH MODERN SMALL ARMS (RIFLES, MACHINE GUNS, RECOILLESS RIFLES, GRENADE LAUNCHERS, MORTARS, AND ASSOCIATED MUNITIONS). THIS WILL ALLOW THE PASSAGE OF THEIR DATED, BUT GENERALLY SERVICEABLE ARMS, TO THE RURAL GUARD (NOW LARGELY ARMED WITH .38 REVOLVERS) AND TO THE CIVIL GUARD RESERVE (WHICH REPLACES THE ORGANIZATION FOR NATIONAL EMERGENCIES (OPEN) PROPOSED BY PRESIDENT MONTE. THEIR COMMUNICATIONS AND TRANSPORTABILITY SITUATION HAS GREATLY IMPROVED ALTHOUGH IT STILL HAS GAPS. THE MOST SIGNIFICANT IMPROVEMENT IS THE CREATION OF FOUR REACTION-ANTE SUBVERSION COMPANIES PRESENTLY UNDERWAY. THESE COMPANIES WILL BE PROVIDED SUFFICIENT TRAINING, COMMUNICATIONS, TRANSPORTATION, AND FIRE-POWER TO ENABLE THEM TO REINFORCE OR OPERATE

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ANYWHERE IN COSTA RICA, EITHER SEPARATELY OR UNDER A BATTALION STRUCTURE THAT HAS NOT BEEN HERETOFORE POSSIBLE, BUT IS SORELY REQUIRED.

(BI). SEA ELEMENT. THE COSTA RICAN MARITIME SECTION OF THE CIVIL GUARD (CS MARSEC) HAS RECEIVED EXTENSIVE TRAINING FROM NAV SCIATTS-PANAMA, MTT'S, USCG, AND CONTRACTOR PROVIDED MAINTENANCE TRAINING FROM BOTH SWIFTSHIPS AND MTU MARINE DIESEL. THEY HAVE BEEN PROVIDED 12 EACH BOSTON WHALER RIVER PATROL CRAFT, REPAIR OF THEIR OCEAN-GOING SWIFTSHIP PATROL BOATS, AND A PURCHASE OF TWO ADDITIONAL 34-FOOT OCEAN PATROL CRAFT IS UNDERWAY. THE OCEAN CRAFT ARE ARMED WITH NEW .50 CALIBER MACHINE GUNS, MODERN COMMUNICATIONS (WHICH ENABLE COMMUNICATIONS WITH AIR AND LAND ELEMENTS) AND NAVIGATION EQUIPMENT. THEIR CAPABILITY TO SURVEIL, PATROL, INTERDICT, AND CONDUCT SAR OPERATIONS ARE NOW ENHANCED AND WILL BE SIGNIFICANTLY SO IN SIX TO TEN MONTHS AS ALL OF THE ABOVE COMES TOGETHER IN COUNTRY.

(CI). AIR ELEMENT. THE COSTA RICAN AIR SECTION OF THE CIVIL GUARD (CS AIRSEC) HAS RECEIVED EXTENSIVE MAINTENANCE AND OPERATIONS TRAINING FROM IAAPA - PANAMA, MTT'S, AND CONTRACTOR PROVIDED MAINTENANCE FROM HUGHES HELICOPTER (AND WILL SHORTLY RECEIVE SIMILAR TRAINING FROM CESSNA-SOLOV). THEY HAVE BEEN PROVIDED ONE HUGHES SOLO HELICOPTER AND WILL RECEIVE ANOTHER IN APRIL 1985. THEY WILL RECEIVE TWO EACH CESSNA SOLOV HELICOPTER AIRCRAFT IN JULY 1985 AND A THIRD SHORTLY THEREAFTER. THEY NOW HAVE THE CAPABILITY FOR LONG AND SHORT RANGE COMMUNICATIONS WITH THE PURSECTOR AND MARSEC BOTH FROM THEIR OPERATING BASE AND THEIR AIRCRAFT. THEIR CAPABILITY TO HELILIFT SMALL ELEMENTS, AND CONDUCT BORDER DRUG RECONNAISSANCE, AND SAR OPERATIONS HAS BEEN (OR SOON WILL BE) GREATLY ENHANCED.

(DI). INTELLIGENCE AND COUNTER-TERRORISM. IN PART THROUGH EFFORTS UNDER MILITARY SECURITY ASSISTANCE, BUT IN LARGER PART THROUGH THE EFFORTS OF OTHER AGENCIES INCLUDING DEPARTMENT OF STATE ANTI-TERRORISM TRAINING PROGRAMS, THESE TWO AREAS ARE UNDERGOING THE MOST SIGNIFICANT CHANGE IN

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RECENT TIMES IN COSTA RICA. MOREOVER, THE REQUIREMENT TO INTERFACE THESE ELEMENTS WITH THOSE OF THE PUSSECTOR IS BETTER UNDERSTOOD AND CARRIED OUT THAN AT ANY OTHER TIME IN RECENT HISTORY.

D. TYPE MILITARY ESTABLISHMENT. THE CS-PUSSECTOR WILL NOT DRASTICALLY CHANGE IN SIZE AND ORGANIZATION. THERE IS A STRONG DESIRE ON THE PART OF THE CURRENT GOVR AND SIMILAR INTEREST FROM THE TWO PRESIDENTIAL CANDIDATES (ONE OF WHICH WILL TAKE OFFICE IN MAY 1985) TO PROFESSIONALIZE (TRAIN AND EQUIP) AND STABILIZE KEY ELEMENTS OF THE PUSSECTOR. THE PROFESSIONALIZATION AND STABILIZATION OF THE PUSSECTOR ARE KEY TO COSTA RICA'S SECURITY, AND THE PRESENT LACK THEREOF IS THE FUNDAMENTAL BASIS FROM WHICH NEARLY EVERY OTHER SHORTCOMING STEMS. WHAT HAD WORKED WELL IN THE COSTA RICAN POLITICAL CONTEXT REGARDING SECURITY FROM THE ABOLITION OF THEIR ARMY IN 1949 UNTIL THE REVOLUTION IN NICARAGUA IN 1979 DOES NOT WORK WELL NOW. THAT FACT IS BEING MORE WIDELY RECOGNIZED NOW THAN EVER BEFORE AS THEIR BILATERAL RELATIONS WITH NICARAGUA BECOME MORE AND MORE PROBLEMATIC. INASMUCH AS WE HAVE BEEN ABLE TO MAKE SIGNIFICANT HEADWAY IN EQUIPMENT AND TRAINING, AND HAVE SOME REAL HOPE FOR A POLITICALLY ACCEPTABLE FORMULA TO MAINTAIN KEY ELEMENTS OF THE PUSSECTOR REGARDLESS OF WHICH PARTY TAKES THE REINS, THE GOALS FOR OUR MILITARY ASSISTANCE PROGRAM SHOULD BE CONTINUED MODERNIZATION/UPGRADING OF THE PUSSECTOR THROUGH TRAINING, AND EQUIPMENT SUSTAINABILITY THROUGH

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E. ECONOMIC IMPACT:

THE AMOUNT OF MILITARY ASSISTANCE CONTEMPLATED DURING THE PERIOD UNDER CONSIDERATION WILL NOT HAVE A SIGNIFICANT IMPACT ON THE OVERALL ECONOMY, BALANCE OF PAYMENTS SITUATION OR INFLATION. INASMUCH AS WE ARE REQUESTING SUSTAINING SUPPORT VICE NEW EQUIPMENT PURCHASE. HOWEVER, THERE WOULD BE AN APPRECIABLE IMPACT ON THE BUDGETS OF THE MINISTRY OF PUBLIC SECURITY (CIVIL GUARD) AND THE MINISTRY OF GOVERNMENT AND POLICE (RURAL GUARD) WERE THOSE MINISTRIES TO UNDERTAKE FUNDING THE PROPOSED ACTIVITIES THEMSELVES. IN THIS CASE, THE ADDED EXPENSE COULD IMPACT GOVR EFFORTS TO CONSTRAIN THE OVERALL BUDGET DEFICIT TO COMPLY WITH IMF REQUIREMENTS, OR WOULD HAVE TO COME OUT OF THE BUDGETS FOR EXISTING CIVILIAN PROGRAMS.

THE 1985 BUDGETS FOR BOTH MINISTRIES COMBINED TOTAL ABOUT 38 MILLION DOLLARS, REPRESENTING ABOUT ONE PERCENT OF PROJECTED 1985 GDP AND NEARLY SIX PERCENT OF THE TOTAL CENTRAL GOVERNMENT BUDGET. THIS FIGURE REPRESENTS A PER DAY PER CAPITA EXPENDITURE OF 13 DOLLARS FOR EACH MEMBER OF THE PUSSECTOR, WHICH GOES ALMOST ENTIRELY TO SALARIES, FOOD, AND HOUSING. VERY LITTLE, IF ANY, REMAINS FOR EQUIPMENT AND TRAINING. WHILE THE BUDGET FOR EQUIPMENT AND MACHINERY PURCHASES HAS BEEN INCREASED SOMEWHAT, TO APPROXIMATELY 284,000 DOLLARS, ROUGHLY ONE QUARTER OF THE TOTAL BUDGET WILL BE SPENT ON MATERIALS AND SUPPLY PURCHASES. HOWEVER, THE MAJORITY OF

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EXPENDITURES FOR EQUIPMENT WILL GO TOWARD UPGRADING COMMUNICATIONS EQUIPMENT, AND THE CATEGORY FOR MATERIALS AND SUPPLIES INCLUDES A NUMBER OF EXPENSES RANGING FROM PETROLEUM PRODUCTS TO OFFICE SUPPLIES TO MEDICINES. WAGES AND SALARIES ARE BY FAR THE LARGEST SINGLE OUTLAY IN THE DEFENSE BUDGET, ROUGHLY TWO-THIRDS. ASSUMPTION OF FUNDING FOR THE MILITARY ASSISTANCE PROGRAM BY THE GOCR WOULD RESULT IN A WHOPPING TEN-FOLD INCREASE IN EXPENDITURES FOR MACHINERY AND EQUIPMENT PURCHASES, AND AN EIGHT PERCENT INCREASE IN THE OVERALL DEFENSE BUDGET. IMPACT ON THE TOTAL CENTRAL GOVERNMENT WOULD BE LESS SPECTACULAR, BUT NEVERTHELESS WOULD MAKE GOCR EFFORTS TO MEET IMF LIMITS ON THE CENTRAL GOVERNMENT BUDGET DEFICIT MORE DIFFICULT. IN REALITY, IT IS IMPROBABLE THAT THE DEFENSE-ORIENTED MINISTRIES COULD OR WOULD UNDERTAKE THIS PROGRAM IN THE ABSENCE OF U.S. ASSISTANCE.

F. ARMS CONTROL:

THE PROPOSED SECURITY ASSISTANCE TO COSTA RICA IS ENTIRELY CONSISTENT WITH THE GOCR'S LONG STANDING POLICY OF MAINTAINING A LIMITED PARA-MILITARY CONSTABULARY CAPABLE OF POLICING ITS BORDERS AND MAINTAINING INTERNAL SECURITY. COSTA RICA IS LOCATED GEOGRAPHICALLY IN A REGION BESET WITH SERIOUS CHALLENGES TO THE ESTABLISHED GOVERNMENTS, AND THE GOCR REQUIRES THE MILITARY WHEREWITHAL TO DEFEND ITS DEMOCRATIC SYSTEM FROM THREATS TO PUBLIC ORDER AND ITS TERRITORIAL INTEGRITY. CUBA AND NICARAGUA, AMONG REGIONAL NEIGHBORS, MAY ATTACK THE LIMITED SECURITY ASSISTANCE PROGRAM AS A USG EFFORT TO DISTORT COSTA RICA'S CIVIL TRADITION AND MILITARIZE THE SOCIETY. DOMESTIC ELEMENTS ON THE EXTREME LEFT WILL LIKELY PICK UP THIS THEME AS WELL. OTHER REGIONAL NEIGHBORS AND THE OVERWHELMING MAJORITY OF THE COSTA RICAN PUBLIC AND ALL MAJOR POLITICAL GROUPS WILL INTERPRET IT AS A WELCOME CONTRIBUTION TO THE LEGITIMATE SECURITY NEEDS OF THE COUNTRY.

G. HUMAN RIGHTS

COSTA RICA IS AND HAS BEEN FOR DECADES, A

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FUNCTIONING CONSTITUTIONAL DEMOCRACY WHERE SCRUPULOUS ATTENTION IN BOTH PUBLIC AND PRIVATE INSTITUTIONS IS DEVOTED TO THE PROTECTION OF BASIC HUMAN RIGHTS. THE NATION IS AN ACTIVE PARTICIPANT AND SPOKESMAN IN INTERNATIONAL FORUM FOR THE PROMOTION OF IMPROVED OBSERVANCE OF ALL HUMAN RIGHTS PRINCIPLES. THE SECURITY FORCES ARE NOT ONLY THE GUARDIANS OF NATIONAL SOVEREIGNTY BUT ARE SCHOoled AND EXPECTED TO DEMONSTRATE, IN THE EXERCISE OF THEIR DUTY, AN AWARENESS OF THE RIGHTS OF ALL INDIVIDUALS. THE ONLY SERIOUS THREATS TO HUMAN RIGHTS IN RECENT YEARS HAVE ORIGINATED FROM TERRORIST GROUPS BASED OUTSIDE COSTA RICA. THE LIMITED U.S. SECURITY ASSISTANCE CONTEMPLATED IN THIS PROGRAM WILL BE USED BY INSTITUTIONS STRONGLY IMBUED WITH A TRADITIONAL RESPECT FOR HUMAN RIGHTS. TO THE EXTENT THAT IT ENHANCES PUBLIC SECURITY FORCES' ABILITY TO PROTECT THE COUNTRY'S CITIZENS FROM TERRORIST AND OTHER LAWLESS ELEMENTS AND FROM BORDER INCURSIONS, U.S. SECURITY ASSISTANCE WILL STRENGTHEN HUMAN RIGHTS

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OBSERVANCE IN COSTA RICA**MILITARY ASSISTANCE FROM OTHER SOURCES**

(11) ISRAEL PROVIDED IN 1982 500 EACH UZI SMG, 500 GALIL ASSAULT RIFLES, AND 100 TACDAN PRC-277 IDENTICAL IN APPEARANCE AND OPERATION TO USG AN190C-777 RIFLES. TERMS ARE NOT KNOWN, BUT LIKELY A GRANT OR LONG TERM CONCESSIONAL LOAN.

(12) VENEZUELA PROVIDED IN 1982 900 EACH M-16 SEMI-AUTOMATIC RIFLES IN AVERAGE CONDITION AND APPROXIMATELY 100 EACH M-16'S IN GOOD CONDITION. WEAPONS ARE SUPPOSEDLY "LOANED", ALTHOUGH THE END RESULT WILL LIKELY BE A GRANT.

(13) FRG HAS DELIVERED THIS YEAR ON 2,000,000 IN EQUIPMENT CONSISTING OF POLICE RADIO COMMUNICATIONS AND APPROXIMATELY 20 BMW POLICE MOTORCYCLES.

(14) ROMANIA GRANTED IN 1984 5,000 SETS OF CAMOUFLAGE FIELD UNIFORMS. COSTA RICA PAID TRANSPORT FEES.

(15) SOUTH KOREA GRANTED IN 1984 POLICE RADIO-PATROL CARS -- APPROXIMATELY 30 EACH.

(16) TAIWAN, VENEZUELA, AND POSSIBLY SOUTH KOREA HAVE PROVIDED SOME POLICE AND POLITICAL-MILITARY TRAINING OUT-OF-COUNTRY.

(17) PANAMA HAS PROVIDED BOTH IN-COUNTRY POLICE-MILITARY TRAINING (APPROXIMATELY 300 INDIVIDUALS IN 1983 AND 150 IN 1984) PLUS OUT-OF-COUNTRY INTELLIGENCE TRAINING AND THE TRAINING OF AT LEAST ONE HELICOPTER PILOT.

(18) ISRAEL PROVIDED IN-COUNTRY ANTI-TERRORIST TRAINING IN 1982.

BUDGET LEVELS (TOTALS IN MILLIONS)**MINIMUM LEVEL**

	87	88	89	90	91
ESF	170	180	180	180	180
MAP	1.45	1.5	2.05	2.775	3.1
TOTAL	171.45	181.5	182.05	182.775	183.1

CONTINUITY LEVEL

	87	88	89	90	91
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	200	200	200	200	200
ESF	200	200	200	200	200
MAP	2.1	2.7	3.4	4.325	4.7
TOTAL	202.1	202.7	203.4	204.325	204.7

ENHANCED LEVEL

	87	88	89	90	91
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ESF	200	200	200	200	200
MAP	3.1	3.4	4.1	5.4	5.6
TOTAL	203.1	203.4	204.1	205.4	205.6

J. PROJECTED PURCHASES AND SUPPORT:

INASMUCH AS WE WILL BE ENTERING A SUSTAINABILITY PHASE, I.E. PURCHASING SPARES, SPARE PARTS, AND TRAINING DURING THE PERIOD OF THIS REPORT WE HAVE TAKEN THE LIBERTY TO SOMEWHAT MODIFY THE FORMAT OF THE TABLES REQUIRED IN THIS PARAGRAPH. ALL OF THE PURCHASES ARE ANTICIPATED UNDER MAP AND ALL ARE VALID IN OUR VIEW. WHAT FEW END ITEMS REQUIRED ARE EXPLAINED IN FOOTNOTES.

FY 1987

PRIORITY NUMBER	DEFENSE ARTICLE	MINIMUM LEVEL	CONTINUITY LEVEL	ENHANCED LEVEL
1	AVIATION TRAINING (A1)	300K	320K	320K
2	VEHICULAR MAINT	125K	150K	150K
3	MTT-TAT	320K	405K	560K
4	WPNS MAINT	50K	50K	100K
5	COMMO MAINT	100K	150K	150K
6	AMMUNITION	--	400K	900K
7	PERS EQUIP	320K	400K	600K
8	TRANSPORT (B1)	225K	225K	320K
	TOTALS	1.45M	2.1M	3.1M

NOTES

- (A1). PILOT AND MECHANIC TRAINING IN FIVE TO SIX AIRCRAFT
- (B1). VEHICLES (TRUCKS OR BUSES) FOR RURAL AND CIVIL GUARD TRAINING ACADEMIES.

PRIORITY NUMBER	DEFENSE ARTICLE	MINIMUM LEVEL	CONTINUITY LEVEL	ENHANCED LEVEL
1	AMMUNITION	200K	300K	1250K
2	AVIATION MAINT	150K	150K	150K
3	COMMO REPAIR	100K	200K	275K
4	WPNS MAINT	100K	150K	150K
5	PERS EQUIP	200K	500K	600K
6	VEH MAINT	125K	125K	150K
	PAT BOAT MAINT (A1)	300K	400K	400K
8	MTT-TAT	325K	275K	425K
	TOTALS	1.5M	2.1M	3.1M

NOTES

- CURRENT OCEAN PAT BOAT MAINTENANCE PACKAGE COVERS FY 86-87

FY 1989

PRIORITY	DEFENSE	MINIMUM	CONTINUITY	ENHANCED
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NUMBER	ARTICLE	LEVEL	LEVEL	LEVEL
1	AMMUNITION	500K	1000K	1300K
2	AVIATION MAINT	150K	150K	150K
3	PAT BOAT MAINT	300K	300K	300K
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TAGS, MASS CS				
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4	COMMO PURCHASE(A)	200K	400K	400K
5	WPNs MAINT	75K	75K	75K
6	PERS EQUIP	225K	500K	800K
7	VEH MAINT	75K	140K	170K
8	PAT BOAT MAINT	300K	400K	400K
9	MTT/TAT	225K	425K	505K
TOTALS		2.05M	3.4M	4.1M

NOTES

- (A) REPLACEMENT OF AN-PRC-12 SERIES RADIOS

FY 1990

PRIORITY NUMBER	DEFENSE ARTICLE	MINIMUM LEVEL	CONTINUITY LEVEL	ENHANCED LEVEL
1	AMMUNITION	750K	1000K	1250K
2	WPNs PURCHASE(A)	225K	500K	500K
3	WPNs MAINT	50K	75K	100K
4	VEHICLE PURCHASE (B)	500K	1000K	1250K
5	PAT BOAT MAINT	300K	400K	500K
6	COMMO PURCHASE(C)	200K	300K	500K
7	MTT/TATS	200K	250K	400K
8	PERS EQUIP	350K	500K	600K
9	AVIATION MAINT	200K	300K	300K
TOTALS		2.775M	4.325M	5.4M

NOTES:

- (A) REPLACEMENT OF UNSERVICEABLE WEAPONS PURCHASED IN FY 84-85.
- (B) REPLACEMENT OF UNSERVICEABLE WHEELER VEHICLES PURCHASED IN FY 85.
- (C) REPLACEMENT OF UNSERVICEABLE COMM PURCHASED IN FY 84-85.

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PRIORITY NUMBER	DEFENSE ARTICLE	MINIMUM LEVEL	CONTINUITY LEVEL	ENHANCED LEVEL
1	AMMUNITIONS	800	1200K	1500K
2	AIRCRAFT MAINT	400K	500K	500K
3	PAT BOAT MAINT	400K	500K	500K
4	COMMO MAINT	100K	200K	300K
5	PERS EQUIP	400K	400K	750K
6	VEH PURCHASES AND MAINT	500K	900K	1100K
7	WEAPONS	225K	400K	400K
8	MTT/TAT	275K	400K	550K
	TOTALS	3.1M	4.7M	9.6M

K. LOGISTICS CAPABILITY

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COSTA RICA IS NOT PRESENTLY LOGISTICALLY SOUND ALTHOUGH WE HAVE MADE CONSIDERABLE AND MEASURABLE PROGRESS TO DATE IN TRAINING OF MAINTENANCE AND LOGISTICAL PERSONNEL. THE ECONOMIC CONDITION OF THE COUNTRY DOES AND WILL HINDER THEIR CAPABILITY TO SUPPORT EQUIPMENT. WE OUTLINED IN PREVIOUS ATASA'S THE REQUIREMENT TO SURGE EQUIPMENT PURCHASES IN FY 88-89 AND TO SUSTAIN SAME IN THE OUT-YEARS. WE HAVE LARGELY ACCOMPLISHED THE FORMER, AND OUR FY 88 BUDGET REQUEST IN ADDITION TO THE PROGRAM OUTLINED IN THIS ATASA FOR FY 87-91 ADDRESSES THE LATTER. SPECIFICALLY WE ARE LOOKING TO SUPPORT THROUGH CONTINUED TRAINING, SPARE, AND SPARE PART PURCHASES THE FOLLOWING MAJOR END-ITEMS PURCHASED TO DATE

- 4 EA 85' PAT BOATS
- 1 EA 105' PAT BOATS
- 2 EA 34' PAT BOATS
- 1 EA 42' PAT BOAT
- 13 EA 18' BOSTON WHALER RIVER PAT BOATS
- 4 EA CESSNA 206 W/SELO
- 2 EA HUGHES 500 E HELO
- 1 EA HUGHES 520 F HELO
- 200 EA PRC 77'S
- 18 EA SUNAIR HF RADIOS
- 8 EA RACAL HF RADIOS
- 90 EA DATO-TEC DATA PRIVACY EQUIPMENT

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J-80 EA M16 A-115

J-70 EA M60'S

J-62 EA 50 CAL (INCLUDES 20 EA ON PAT COATS)

J-30 EA 90 MM

260 EA M 203'S

J-35 EA 81 MM

174 EA VEHICLES

L. NOT APPLICABLE

M. ESF JUSTIFICATION

ECONOMIC SUPPORT FUND ASSISTANCE PROVIDES DOLLAR RESOURCES TO FINANCE THE IMPORTATION FROM THE U.S. OF ESSENTIAL RAW MATERIALS, INTERMEDIATE GOODS, SPARE PARTS, AND OTHER INPUTS NEED TO MAINTAIN AGRICULTURAL AND INDUSTRIAL PRODUCTION. ELIMINATION OF THE PLANNED RESOURCE INFLOW (\$200 MILLION FOR FY 1987) WOULD ENTAIL APPROXIMATE 15 PERCENT REDUCTION OF REAL INCOMES IN COSTA RICA WITH PROBABLE ADVERSE CONSEQUENCES FOR MAINTENANCE OF DEMOCRATIC PROCESSES AND FOR THE INVESTMENT CLIMATE NEEDED FOR RESUMPTION OF SOUNDLY-BASED ECONOMIC GROWTH. DUE TO THE RELATIVELY ADVANCED LEVEL OF PUBLIC SERVICES AND PHYSICAL INFRASTRUCTURE PRESENTLY ATTAINED BY COSTA RICA AS WELL AS THE AVAILABILITY OF PROJECT-TYPE ASSISTANCE FROM OTHER DONORS, INCLUDING THE JOB, RELIANCE ON THE

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PROJECT ASSISTANCE ALONE WOULD PRECLUDE THE MAGNITUDE OF RESOURCE INFLOWS NEEDED TO HANDLE COSTA RICA'S PRESENT AND ANTICIPATED BALANCE OF PAYMENT DEFICITS.

DURING THE MONCE ADMINISTRATION (1982-1986) COSTA RICA HAS MADE NOTABLE PROGRESS IN STABILIZATION. THE GOCR NEGOTIATED AND MET AN IMF STABILIZATION PROGRAM IN 1983, AND WHILE SUBSEQUENT NEGOTIATIONS WERE NOT CONCLUDED UNTIL EARLY 1985, TARGETS PROPOSED FOR THE END OF 1984 WERE APPROXIMATED. THE RATE OF INFLATION HAS BEEN REDUCED FROM RATES IN EXCESS OF 100 PERCENT PER ANNUM IN 1981 AND 1982 TO RATES CURRENTLY AT LESS THAN 20 PERCENT PER ANNUM; THE FINANCIAL DEFICIT OF THE NON-FINANCIAL PUBLIC SECTOR HAS BEEN REDUCED FROM 14.3 PERCENT IN 1981 TO 8.0 PERCENT IN 1982 TO 3.4 PERCENT IN 1983, AND AN ESTIMATED 2.5 PERCENT IN 1984; AND ON A PURCHASING POWER PARITY BASIS (VIS-A-VIS THE U.S.) THE EXCHANGE RATE IS NEARLY THE SAME AS A DECADE AGO, I.E. BEFORE THE ECONOMIC CRISIS. IN 1985 THE GOCR HAS MOVED TO THE SECOND PHASE OF ECONOMIC RECOVERY, THAT IS WITH RELATIVE SUCCESS IN THE STABILIZATION EFFORT WHICH BEGAN IN 1982, THE PROGRAM CONTENT AND CONDITIONALITY IS NOW SHIFTING TO ECONOMIC REFORM, AS WELL AS UNDERPINNING COSTA RICA'S BALANCE OF PAYMENTS. THE LOCAL CURRENCY COUNTERPART OF FY 1985 ESF RESOURCES IS ORIENTED TO ASSISTING THE

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GOCR WITH THE DIVESTITURE OF CODESA, THE LARGE GOVERNMENT HOLDING COMPANY FOR INDUSTRIAL ENTERPRISES. FINAL APPROVAL OF A STRUCTURAL ADJUSTMENT LOAN FROM THE IBRD TO THE GOCR IS EXPECTED SHORTLY. THIS \$80 MILLION SAL IS SLATED TO BE THE FIRST OF THREE SUCH LOANS, WITH CONDITIONALITY REQUIRING THE REDUCTION OF HIGH TARIFF PROTECTION AND OF ELIMINATING PUBLIC SECTOR WASTE. APPROVAL IS ALSO EXPECTED SHORTLY FOR AN IMF STANDBY WHICH IS AN ESSENTIAL PRIOR CONDITION FOR A \$75 MILLION LOAN FROM FOREIGN COMMERCIAL BANKS AND FOR 1985 PARIS CLUB DEBT RESCHEDULING.

WE ANTICIPATE THAT THE NEED FOR BALANCE OF PAYMENT SUPPORT RESOURCES AND FOR DEBT RESCHEDULING WILL CONTINUE THROUGH FY 1987 AND POSSIBLY THROUGH THE REMAINDER OF THE DECADE. HOWEVER, THIS NEED MAY BE TEMPERED BY SEVERAL EVENTS IN COMING YEARS, E.G. IMPROVED WORLD MARKET CONDITIONS FOR COSTA RICA'S MAJOR EXPORTS, COFFEE AND BANANAS, SUCCESS IN EXPANDING EXPORTS OF NONTRADITIONAL GOODS, FAVORABLE INTEREST RATE MOVEMENTS, AND THE RESPONSE OF POTENTIAL FOREIGN INVESTORS TO INVESTMENT IN COSTA RICA. PUBLIC SECTOR EXTERNAL DEBT SERVICE RATIOS PROJECTED BY THE IMF IN 1984 FOR THE PERIOD 1985-1989 EXCEED FIFTY PERCENT OF FOREIGN EXCHANGE EARNINGS FROM EXPORTS OF GOODS AND NON-FACTOR SERVICES. THE RESCHEDULINGS RECENTLY AGREED TO BY FOREIGN COMMERCIAL BANKS AND RESCHEDULING OF OFFICIAL LOANS TO BE DISCUSSED SOON AT THE PARIS CLUB PROVIDE RELIEF FOR 1985 AND 1986 AND WILL INCREASE SERVICE PROJECTED FOR FUTURE YEARS. THEREFORE, WE CONSIDER THAT FURTHER PARIS CLUB AND COMMERCIAL BANK RESCHEDULINGS ARE LIKELY IN 1987. THE DEVELOPMENT STRATEGY WHICH THE INTERNATIONAL LENDERS ARE SUPPORTING IS DESIGNED TO REORIENT COSTA RICA'S ECONOMY FROM ITS PRESENT IMPORT-SUBSTITUTION BIAS TO ONE IN WHICH ECONOMIC GROWTH IS GENERATED THROUGH HIGHER EXPORTS OUTSIDE OTHER CENTRAL AMERICAN REGIONS.

N. NOT APPLICABLE.
JONES
END OF MESSAGE

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